Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon Maryland,	)	
Verizon Washington, D.C., and	)	
Verizon West Virginia for Authorization	)	WC Docket No. 02-384
To Provide In-Region, InterLATA Services	)	
In Maryland, Washington, D.C. and	)	
West Virginia	)	

To: The Commission

COMMENTS OF NATIONAL ALEC ASSOCIATION/ PREPAID COMMUNICATIONS ASSOCIATION

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Summary

The Commission should deny Verizon's Section 271 application to provide in-region interLATA services in Maryland, the District of Columbia and West Virginia.

Verizon's billing performance fails to satisfy Item 2 of the Competitive Checklist. Although up to a third of a CLEC's bill may be in error, CLEC dispute resolution efforts are hampered by such routine Verizon practices as its refusal to assign a claim number to disputes, its unilateral denial of claims without explanation, and its failure to provide agreed-upon credits. These billing practices and its policy of billing CLECs for services they neither order nor authorize demonstrates both Verizon's continuing monopoly power and its willingness to exercise that power anti-competitively.

Verizon Maryland's provision of directory assistance (DA) is discriminatory and thus fails to satisfy Item 7. Unlike the Verizon entities that have received Section 271 approval, Verizon Maryland refuses to provide resellers with the monthly DA call allowance that Verizon provides to its own retail customers, thereby imposing a potentially devastating competitive disadvantage.

Verizon Maryland also fails to satisfy Item 14 of the Checklist, regarding resale. Despite the plain language of both the Act and Commission rules, Verizon Maryland refuses to resell its retail DA service. It offers resellers a significantly different and inferior product instead.

Verizon's application fails the public interest prong of the Act's three-part test. The record lacks assurances that the residential resale market will remain open after a grant of authority, or that approval will foster competition in this market – factors that the Commission has considered when evaluating prior applications for Section 271 authority.

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The National ALEC Association/Prepaid Communications Association ("NALA/PCA") hereby files these comments on the above-captioned application of Verizon Maryland et al. ("Verizon" or the "Verizon entities") to provide in-region, interLATA services in the jurisdictions of Maryland, Washington, D.C., and West Virginia. As discussed below, Verizon has failed to demonstrate both that it has fully complied with the fourteen-point "Competitive Checklist" and that the requested authorization is consistent with the public interest, convenience and necessity. *See* 47 U.S.C. § 271(d)(3)(A), (C). Accordingly, the Commission should deny the application.

I. Background and Introduction

NALA/PCA is a trade association comprised of companies that since 1996 have been providing local telephone service to hundreds of thousands of residential consumers nationwide, primarily by reselling the flat-rate local telephone services and custom calling features of incumbent local exchange carriers ("ILECs").[1] NALA/PCA members' core customers are those that historically have been considered high-risk – due, for example, to a poor credit history or lack of sufficient identification – and thus unable to obtain local telephone service from ILECs. NALA/PCA members typically offer these consumers a fixed-rate local service option that restricts the customer's access to long-distance and other usage-based services (although in some jurisdictions blocking is either not available for all services or is cost-prohibitive).

Although the Commission has de-emphasized resale as a competitive strategy, it remains key to competition in the residential market and is expected to remain so for some time. In fact, Verizon acknowledges that its competitors rely more heavily on resale than they do on the use of Verizon's unbundled network element platform. Verizon Brief at 5. To ensure the continuing viability of resale as both an entry strategy and a competitive alternative, it is critical that in this proceeding the Commission respond to the concerns of resellers, including NALA/PCA Members, that have only limited resources with which to arbitrate or litigate at the state level. Ultimately, a Commission response that acknowledges and requires the correction of competitive disparities prior to the grant of the requested authority will promote competition and other public interest goals.

As explained below, the Commission should deny Verizon authority to provide in-region, interLATA services in Maryland, Washington, D.C., and West Virginia until such time as Verizon fully complies with its resale and operations support system ("OSS") obligations under

1 In addition to service providers, NALA/PCA members include a wide range of companies that support the prepaid local services industry.

the Telecommunications Act of 1996 ("1996 Act"). Even if the Commission finds that Verizon has complied with these duties, it should deny Verizon's application on the grounds that a grant of authority at this time is premature and inconsistent with the public interest, convenience, and necessity.

II. *Checklist Item 2:* Verizon's application glosses over serious billing problems

A. Verizon's representations regarding its billing performance are not consistent with CLEC experience

To satisfy Item 2 of the Competitive Checklist, Verizon must demonstrate that it is providing non-discriminatory access to specific network elements, including operations support systems ("OSS"), in accordance with the requirements of Sections 251(c)(2) and 252(d)(1). *See* 47 U.S.C. § 271(c)(2)(B)(ii). As part of its OSS-related showing, Verizon asserts that it provides accurate bills, offering in support its "real-world experience" with CLECs. Verizon Brief at 93. Verizon's claims, however, cannot be reconciled with the experience of NALA/PCA members.

According to Verizon, as of January 2002 there were approximately 1,700 open billing disputes involving almost $5 million worth of charges in Maryland, but by October 2002 only about 175 disputes remained open, involving approximately $425,000 in charges. *Id.* at 93-94. While Verizon does not explain how it so drastically pruned its dispute backlog, it has been the experience of NALA/PCA members that Verizon achieves these results by anticompetitive methods that include the failure to assign a claim number to disputes, its unilateral denial of claims without explanation, and bill dispute "resolutions" in which Verizon agrees to correct an error but fails to provide the corresponding credit. Verizon also fails to explain how it calculates the outstanding disputed amounts, alleged to total only $425,000 as of October 2002. This number is not credible, as the pending disputes of the NALA/PCA members alone easily exceed $425,000. For example, with respect to a single Maryland issue – the provision of directory assistance services – NALA/PCA member Metro Teleconnect Companies, Inc. estimates outstanding damages of nearly half that figure. *See* Prefiled Testimony of Tom Gregson at 4, Case No. 8921, *In the Matter of the Review by the Commission into Verizon Maryland Inc.'s Compliance with the Conditions of 47 U.S.C. § 271(c)* ("*Case No. 8921*") (estimating damages in excess of $200,000), attached hereto as Exhibit 1. According to the November 6, 2002 testimony of VDL, Inc. d/b/a Global Telecom Brokers ("GTB"), a Maryland CLEC, GTB's unresolved billing disputes with Verizon Maryland total over $1.3 million. *See* Prefiled Direct Testimony of John R. Liquefatto on behalf of VDL, Inc. d/b/a Global Telecom Brokers at 1, 16, Case No. 8926, *In the Matter of the Complaint of VDL, Inc. d/b/a Global Telecom Brokers v. Verizon Maryland Inc.*, attached hereto as Exhibit 2.

Residential resellers find that as much as 35 percent of the charges listed on each Verizon wholesale bill are incorrect. *See* Exhibit 1 at 5; *see also* Exhibit 2 at 14-15 (identifying the types of billing errors GTB encounters). Nonetheless, Verizon's billing practices and procedures deprive resellers of adequate time to scrutinize their bills and attempt to resolve billing disputes prior to payment deadlines. Further, NALA/PCA Members have encountered significant difficulties in attempting to resolve their billing disputes with Verizon, contrary to Verizon's glowing representations. Disputed charges linger for months – in some cases, years – without resolution. Verizon seemingly will not devote sufficient resources to resolve these disputes and has refused to engage in meaningful negotiations, costing NALA/PCA Members hundreds of thousand of dollars and hundreds of hours of employee time, weakening their financial positions, and seriously hampering these providers' ability to compete against Verizon in the local exchange market.

B. Verizon is impermissibly shifting costs to CLECs by billing CLECs for services they have neither ordered nor authorized

NALA/PCA members generally purchase services from the Verizon entities to restrict end-user access to usage-based services. Effective January 2002, the Verizon entities instituted a policy requiring resellers to purchase additional blocks or face liability for casual calling, third-party, and collect charges incurred by their end-users. *See* Verizon Position on IntraLATA Calls, Collect and Third Number Calls (January 24, 2002), available on-line at http://128.11.40.241/east/wholesale/resources/2002_industry_letters/clec/012402.htm. This policy, which strikes particularly hard at local service providers who order local lines with a "PIC NONE" or "LPIC NONE" designation, is a transparent attempt to impermissibly shift the risks and costs associated with these services from the provisioning carrier to the local reseller.

Although it would require resellers to purchase a number of additional blocks, Verizon expressly disclaims responsibility for the effectiveness of the blocks it provides. Verizon admits its toll billing exception screening services will not block international operator-assisted calls, calls from operator service providers, or calls from carriers that have not "opted to participate" in Verizon's screening process. It also admits that the line information database (LIDB) that processes the screen may be unavailable at times. Thus, to the extent Verizon enforces this policy, it is requiring local service providers to pay it for admittedly ineffective blocking services and all calls that slip – negligently or intentionally – through its blocks.[2] No entity operating in a

2 In some cased, such as calls originating from correctional facilities, Verizon itself may be the operator service provider not checking the LIDB to verify whether the end user can accept a

competitive marketplace would be able to establish a comparable policy that rewards itself for its inefficiencies and failings. Verizon's attempts to impose and enforce this policy demonstrate not only the monopoly power that the Verizon entities continue to wield but that significant concerns exist with respect to the manner in which the Verizon entities treat and bill their resellers.

III. *Checklist Item No. 7*: The manner in which Verizon Maryland resells directory assistance service violates federal law, is inconsistent with Verizon practices in other states, and places Maryland resellers at a significant competitive disadvantage

To satisfy Item 7 of the Competitive Checklist, Verizon must demonstrate that it is providing non-discriminatory access to, *inter alia,* directory assistance services. *See* 47 U.S.C. § 271(c)(2)(B)(vii)(II).

Verizon-Maryland states that it satisfies this requirement by providing CLECs access to its directory assistance services pursuant to agreements. *See* Lacouture/Ruesterholz MD Decl. ¶ 269.[3] It claims that Verizon-Maryland provides directory assistance ("DA") services in Maryland in the "same way" that it does in its 271-approved states. Verizon Brief at 67, citing Lacouture/Ruesterholz MD Decl. ¶ 269. Neither statement is correct.

Verizon Maryland actually provides its DA services to Maryland resellers on a tariffed basis, not pursuant to agreement. A copy of the current version of Verizon's resale DA tariff, P.S.C. MD No. 201, *General Regulations Tariff,* Section 7A, *Resale Directory Assistance Service,* is attached hereto as Exhibit 3. Verizon has taken the position with Maryland resellers that its use of a tariff is mandated by a 1996 order of the Maryland Public Service Commission in Case No. 8731, *In the Matter of the Petitions for Approval of Agreements and Arbitration of*

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collect call.

3 Although Paragraph 269 refers to Attachment 1, this attachment pertains to the District of Columbia, not Maryland.

Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996, Order No. 73010, Ordering Paragraph No. 4 (November 8, 1996) (directing Verizon to "develop and file a tariff for operator and directory assistance services, which shall be subject to approval by the [MPSC]"). Verizon's reliance on a tariff to provide directory assistance service allows it to unilaterally modify the rates, terms and conditions of that service – something it would be unable to do if it provided directory assistance pursuant to agreement.

Further, the manner in which Verizon-Maryland provides DA service under its Resale DA tariff differs significantly from the manner in which other Verizon entities resell DA service, including those Verizon entities that already have received Section 271 authority. Verizon entities in jurisdictions including Delaware, New Jersey, Pennsylvania and the District offer resellers the same monthly DA call allowance that the Verizon entities provide to their retail customers. *See* Letter of Felecia L. Greer, MPSC (May 3, 2001) and response of David Hill, Verizon (June 8, 2001), attached hereto as Exhibit 4. Thus, resellers get one, two, four and five free DA calls per residential line per billing cycle in Delaware, Pennsylvania, New Jersey and the District. In Maryland, on the other hand, resellers get no free DA calls per residential line per billing cycle from Verizon, even though Verizon residential end-users receive six free DA calls per month. *See* Exhibit 2 (stating in Section (B)(4) that "[t]here is no call allowance with resold Directory Assistance Service"); *cf.* P.S.C. MD No. 203, *General Services Tariff,* Section 9, *Directory Assistance Service* (stating in Section (B)(2) that "[a] residential customer is allowed six Directory Assistance Service calls per dial tone line"), attached hereto as Exhibit 5.

Verizon-Maryland's refusal to resell its retail DA service, which includes a monthly six call allowance, is a discriminatory practice that places resellers at a significant and potentially devastating competitive disadvantage because Maryland requires all carriers, including resellers, to provide residential customers with six free DA calls a month. As a result, each month a reseller may incur additional DA costs of up to approximately $6.00 per residential line – costs that the reseller is unable to recoup from its customers. *See* Exhibit 2 at 4.

IV. *Checklist Item 14:* Verizon Maryland does not make all retail services available for resale in accordance with the Act

Item 14 of the Competitive Checklist requires that the petitioning company demonstrate that "[t]elecommunications services are available for resale in accordance with the requirement of sections 251(c)(4) and 252(d)(3)." Verizon contends that it has satisfied this requirement because it "makes available for resale at wholesale rates established by the state commissions in those states *all* of the telecommunications services that Verizon offers at retail to subscribers that are not telecommunications carriers. [Declarations omitted.] In all three jurisdictions, Verizon makes services available for resale in the same manner and using essentially the same processes and procedures as in its 271-approved states." Verizon Brief at 78-79 (emphasis added). At least with respect to Verizon Maryland, these blanket assertions are untrue.

Verizon Maryland does not make its retail directory assistance ("DA") service available for resale. As discussed in detail in Section III, pertaining to Checklist Item No. 7, Verizon Maryland offers DA service to resellers pursuant to its state-approved resale DA tariff, which differs significantly from Verizon's retail DA tariff. While Section (B)(2) of the retail tariff guarantees residential customers a free monthly call allowance of six DA calls, Section (B)(4) of the wholesale tariff states that "[t]here is no call allowance with resold Directory Assistance service." *See* Exhibits 3 and 5. Although the retail offering discusses national DA service, including the applicability of the allowance to national DA calls, the wholesale offering contains absolutely no discussion of national DA service. *Id.*

Further, Verizon-Maryland does not resell its DA service in the same manner as in its 271-approved states. As discussed in Section III, Verizon entities in 271-approved states such as Delaware, New Jersey, and Pennsylvania offer resellers the same monthly DA call allowance that the Verizon entities provide to their retail customers. *See* Exhibit 4. Thus, resellers get one, two, and four free DA calls per residential line per billing cycle in Delaware, Pennsylvania, and New Jersey. In Maryland, on the other hand, resellers get no free DA calls per residential line per billing cycle from Verizon, even though Verizon residential end-users receive six free DA calls per month. As explained above, Verizon-Maryland's refusal to provide the DA call allowance places resellers at a significant and potentially devastating competitive disadvantage.

While it may boast of its superior resale performance, the reality is that Verizon Maryland – unlike those Verizon entities that have received Section 271 authority – refuses to resell all retail telecommunications services, as it is obligated to do under federal law.

Verizon Maryland blatantly mischaracterized this resale issue when it was raised in Case No. 8921. *See* Case No. 8921 Reply Checklist Declaration on Behalf of Verizon Maryland, Inc. at ¶ 157 (erroneously asserting that Metro Teleconnect "claims that because Verizon MD refuses to provide Metro Tel directory assistance ('DA') at no cost, this is a violation of Verizon MD's resale obligations."). Verizon also argued to the Maryland Public Service Commission that the manner in which it provides its DA service to resellers is not "a valid Section 271 issue." *Id.* at ¶ 159. NALA/PCA disagrees. Verizon has excluded from its tariffed wholesale DA offering the monthly call allowance that it provides to its own retail customers. Its insistence on providing a wholesale version of its retail DA service that is significantly different from, and substantially inferior to, its retail offering is a *per se* violation of both the Act and the Commission's rules. *See* 47 U.S.C. § 251(c)(4); 47 C.F.R. § 51.605. As such, it is precisely the type of issue that should be examined in a Section 271 proceeding. Verizon cannot be deemed to satisfy the Section 271 Competitive Checklist so long as it flouts federal law.

V. Approval of Verizon's application is premature and inconsistent with the public interest, convenience and necessity

A grant of approval under Section 271 entails satisfaction of a three-part test. Separate from determining whether Verizon satisfies the competitive checklist and will comply with Section 272, Congress directed the Commission to assess whether the requested authorization would be consistent with the public interest, convenience and necessity. *See* 47 U.S.C. § 271(d)(3)(C).

While compliance with the checklist is a "strong indicator" that authorization is consistent with the public interest, "the public interest requirement is independent of the statutory checklist and, under normal canons of statutory construction, requires an independent determination." Memorandum Opinion and Order, *In the Matter of the Joint Application of SBC Communications, Inc. et al for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, CC Docket No. 00-217, FCC 01-29 (rel. Jan. 22, 2001) at ¶¶ 266-267. In evaluating public interest considerations, the Commission has looked to factors such as "unusual circumstances that would make entry contrary to the public interest under the particular circumstances of the application. (Footnote omitted.) Another factor that could be relevant . . . is whether [the Commission has] sufficient assurances that markets will remain open after grant of the application." *Id.* at ¶ 267. The public interest analysis may include consideration of "whether approval . . . will foster competition in *all* relevant telecommunications markets." *Id.* at fn. 822.

Such factors are present in the instant case. The record does not demonstrate that competition in the Maryland, D.C. and West Virginia residential resale market has taken root. Approval is likely to *erode* the small competitive gains that have been made in that part of the residential market that is available to competitors. Competitors that have gained a toehold find that they are now being economically squeezed, *inter alia,* by Verizon's failure to negotiate billing disputes, its insistence on the purchase of ineffectual blocking services at inflated prices, and, in Maryland, its insistence on providing a wholesale version of DA service that is substantially inferior to its retail DA service. Rather than foster competition in the residential market, approval of Verizon's application risks competitive gains because it will encourage further anti-competitive behavior on Verizon's part. A premature grant of authority to provide in-region, interLATA services virtually eliminates regulators' remaining leverage to ensure Verizon's continuing compliance with the statutory requirements of Sections 251 and 252.

Conclusion

The Commission should not authorize Verizon Maryland et al. to provide in-region interLATA services in Maryland, Washington, D.C. and West Virginia until such time as Verizon can fully demonstrate its compliance with all 14 items of the Competitive Checklist, particularly Items 2, 7 and 14. Further, the Commission should conclude that a grant of the requested authority is premature and inconsistent with the public interest, convenience and necessity at this time.

Therefore, based on the foregoing, NALA/PCA urges the Commission to deny Verizon's application for authority to provide in-region interLATA services.

Respectfully submitted,

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January 9, 2003

Exhibit List

Exhibit 1: Prefiled Testimony of Tom Gregson, MPSC Case No. 8921 (July 15, 2002)

Exhibit 2: Prefiled Testimony of John R. Liquefatto, MPSC Case No. 8926 (November 6, 2002)

Exhibit 3: Verizon Maryland Resale Directory Assistance Tariff, MD PSC No. 201, Section 7A

Exhibit 4: Letter of Felecia L. Greer, Maryland Public Service Commission (May 3, 2001) and Response of David Hill, Verizon (June 8, 2001)

Exhibit 5: Verizon Maryland Retail Directory Assistance Tariff, MD PSC No. 203, Section 9

EXHIBIT 1

Prefiled Testimony of Tom Gregson
MPSC Case No. 8921, *In the Matter of the Review by the Commission into Verizon Maryland Inc.'s Compliance with the Conditions of 47 U.S.C. § 271(c)*
(July 15, 2002)

STATE OF MARYLAND
PUBLIC SERVICE COMMISSION

In the Matter of the	)	
	)	
Review by the Commission into Verizon Maryland Inc.'s Compliance with the Conditions of 47 U.S.C. §271(c).	)	Case No. 8921
	)	
	)	
	)	
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PREFILED TESTIMONY OF TOM GREGSON
ON BEHALF OF
<u>METRO TELECONNECT COMPANIES, INC.</u>

Q. **Please state your name and business address.**

A. My name is Tom Gregson. My business address is 2150 Herr Street, Harrisburg, Pennsylvania, 17103.

Q. **What is your position with Metro Teleconnect Companies, Inc.?**

A. I am the Director of Operations of Metro Teleconnect Companies, Inc. ("Metro Teleconnect"). I have served in this position for five years. In my position, I manage customer service, provisioning, agent relations, human resources and information systems.

Q. **Please describe any classes or seminars you have attended in connection with your position.**

A. I have attended the Bell Atlantic (South) five day non-complex resale class, the Bell Atlantic (North) five day non-complex resale class, the two day Repair Trouble Administration System ("RETAS") class, the Phase 3 Graphical User Interface ("GUI") half-day introductory class, the Phase 3 GUI one day class, and the Bell Atlantic 1999 and 2000 spring conferences. I also participate in the monthly Verizon change control, flow through, expresstrac, and prioritization workshops.

Q. **Is Metro Teleconnect currently authorized to provide telecommunication services in Maryland?**

A. Yes. Metro Teleconnect is duly authorized to conduct business and holds a certificate of public convenience and necessity to provide resold local exchange services in Maryland.

Q. **Does Metro Teleconnect provide its services in any other states?**

A. Yes. Metro Teleconnect has obtained authority and provides service in more than 20 states, as well as the District of Columbia and Puerto Rico. The Company provides local telephone service to approximately 40,000 residential customers, including 6,800 in Maryland.

Q. **What is the purpose of your testimony?**

A. The purpose of my testimony is, first, to describe the telecommunications services offered by Metro Teleconnect in Maryland and the business relationship between Metro Teleconnect and Verizon Maryland Inc. ("Verizon"). Second, I will describe how Verizon engages in practices that impede and frustrate Metro Teleconnect's ability to provide those services.

Q. **Please describe the services that Metro Teleconnect provides in Maryland.**

A. Metro Teleconnect provides local exchange telecommunications services to residential customers throughout Maryland. Metro Teleconnect customers pay a flat, monthly fee for their service, which includes unlimited local calling and access to 911, directory assistance and toll-free services. Customers may also subscribe to additional features such as call waiting, caller ID or call forwarding. The majority of Metro Teleconnect's customers are individuals who are unable to obtain telephone service elsewhere because of credit problems or delinquent payment histories. Metro Teleconnect does not perform consumer credit checking or application screening. However, to control costs, Metro Teleconnect does not permit its customers to access certain usage-based services, such as direct-dialed long-distance calls, collect calls, operator-assisted calls, and third-number billed calls. Customers who desire toll calling may use prepaid or post-paid calling cards, or contract directly with a long distance company.

Q. **What is the relationship between Verizon and Metro Teleconnect?**

A. Metro Teleconnect provides local telephone service in Maryland by reselling the telecommunications services of Verizon. Metro Teleconnect does not own facilities, and must rely on the services of Verizon in order to provide ubiquitous service throughout Maryland. Metro Teleconnect does provide its own billing and customer service.

Q. **What types of problems does Metro Teleconnect have with Verizon?**

A. Metro Teleconnect has problems with Verizon regarding 1) its refusal to provide Metro Teleconnect directory assistance ("DA") on the same rates, terms and conditions that Verizon provides its own end-users in Maryland and 2) its blocking services and 3) its dispute resolution process.

Q. **What does Verizon charge its own end-users for DA services?**

A. Pursuant to its retail tariff, Verizon provides each of its retail customers six free local or national DA calls per month ("call allowance") and, thereafter, assesses a per call fee.

Q. **What does Verizon charge Metro Teleconnect for DA services?**

A. Metro Teleconnect is assessed a per call fee for each DA call, which is subject to a wholesale discount. However, Metro obtains DA service pursuant to Verizon's resale DA tariff which, unlike Verizon's retail tariff, provides no call allowance.

Q. **Why is this unlawful?**

A. Section §251(c)(4) of the Telecommunications Act imposes upon Verizon the duty to sell to resellers at wholesale rates any telecommunications service that Verizon provides at retail to its subscribers. Verizon provides its own retail subscribers six DA calls at no cost with a per call fee thereafter, but does not provide similar terms to Metro Teleconnect or other resellers. Because Metro Teleconnect does not receive the call allowance, it is assessed up $6.00 for directory assistance charges that Verizon end users receive for free. We believe that violates the Telecommunications Act.

Q. **How has Metro Teleconnect attempted to resolve the DA service dispute?**

A. Metro Teleconnect first attempted to resolve the problem informally with Verizon in the fall of 2000. Failing that, Metro Teleconnect requested the MPSC to assist in resolving its dispute. On August 7, 2001, the MPSC issued a letter ruling stating that it would not require Verizon to provide Metro Teleconnect the call allowance. Metro Teleconnect now has a formal complaint before the FCC to address this matter.

Q. **How much money has this unlawful practice cost Metro Teleconnect?**

A. Metro Teleconnect estimates that Verizon's unlawful conduct has caused damages of more than $200,000 for the past two years alone.

Q. **How does Metro Teleconnect propose to resolve this problem?**

A. Verizon should reimburse Metro Teleconnect for the unlawful charges related to the call allowance and modify the resale tariff to provide Metro Teleconnect with the same call allowance that Verizon provides its own end-users.

Q. Please describe the problem Metro Teleconnect has with Verizon blocking services.

A. In order to control costs, Metro Teleconnect requests from Verizon services that are supposed to block our end users access to usage-based services, including toll (e.g., 10-10-XXX, 1-plus services), call gate (e.g., call return, call trace) and operator services. We request these services on the Verizon Local Service Request form at the time a new customer order is submitted through our electronic data interface. Our experience shows that many of these blocking services are ineffective. Each month we end up with charges for usage-based services that should have been blocked by Verizon. In some cases, these services were provided by Verizon; in other cases, Verizon is the billing and collection agent for some third party service provider. Each month Metro Teleconnect disputes these charges.

Q. Are there other invalid charges on your Verizon bill?

A. Metro Teleconnect has found that up to 35 percent of the charges listed on each Verizon bill are incorrect. Some of the errors appear to be merely due to incompetence. Other errors appear so regularly as to suggest a pattern of discriminatory and anti-competitive behavior. For example, when a customer already served by Metro Teleconnect obtains a second line from Verizon, Verizon will designate the Verizon-provided line as the "primary line" for purposes of determining the applicable subscriber line charge ("SLC"). As a result, the Metro Teleconnect-provided line is considered "non-primary" and will be assessed a SLC (up to $7.00) that exceeds the SLC associated with the primary line (up to

$6.00, effective July 1, 2002). In other instances, Verizon will continue billing Metro Teleconnect for service to an end-user after that end-user has been disconnected. It is not unusual for Verizon to continue charging Metro Teleconnect up to five or seven business days after disconnection. Metro Teleconnect has also experienced numerous instances in which disputes are submitted to Verizon, but Verizon fails to assign a claim number. Sometimes claim numbers are assigned, but disputes are not resolved in a timely manner or in some cases, they are not resolved at all. In other cases, disputes are resolved in Metro Teleconnect's favor, but Verizon fails to credit Metro Teleconnect accordingly. Metro disputes these charges when they appear on the bill.

Q. **Has Verizon been responsive to Metro Teleconnect's requests for billing adjustments?**

A. No. Unfortunately, Verizon has no incentives to bill its competitors accurately or to resolve billing disputes promptly. Both inaccuracy and delay work to Verizon's advantage by increasing its competitors' costs of doing business. Verizon is not penalized for inaccurate billing or delay. We must devote significant human resources to verify bills, report and monitor disputes, and follow-up to make sure that the resolution of the dispute is implemented.

Q. **How much money is in dispute and how long have those disputes been outstanding?**

A. Including all the states in which both companies operate, Metro Teleconnect has approximately $3 million in disputed billings with Verizon. Some of the disputed amounts have been unresolved for more than 24 months.

Q. **How do these unresolved disputes affect Metro Teleconnect?**

A. Because of the significant financial amounts involved, especially to a smaller company, Verizon's delay in resolving disputed bills weakens the financial strength of Metro Teleconnect. The Company must keep reserves to cover potential payments if the disputes are not resolved in its favor. In addition, Metro must spend extra time and money with its outside auditors explaining these disputes and negotiating how they will be captured and explained in our auditors' reports.

Q. **What would you like to see Verizon do to resolve this problem?**

A. I would like to see performance measurements established for the resolution of billing disputes. If Verizon does not meet those performance measurements, then CLECs should be awarded performance credits. Another option, is for the Commission to establish a requirement that Verizon resolve billing disputes within a defined period. Disputes that are not resolved should presumptively be resolved in favor of the CLEC. In addition, Verizon should provide Metro Teleconnect with blocking services that are 100 percent effective. If blocks are not effective, we should automatically get credits for any services our customers use that should have been blocked.

Q. **Has Verizon satisfied the FCC's Competitive Checklist?**

A. No. Verizon has not demonstrated that it satisfies Items 2 and 14 of the Competitive Checklist.

Q. **How has Verizon failed to satisfy Item 2 of the Competitive Checklist?**

A. Item 2 requires that Verizon demonstrate that it offer nondiscriminatory access to specific network elements in accordance with the requirements of Section 251(c)(2) and 252(d)(1) of the Telecommunications Act. Requisite network elements include the operating support system ("OSS"), one aspect of which is the billing systems. Verizon's OSS

Declaration, however, discusses only the timeliness by which Verizon provides billing data (see OSS Declaration, at ¶¶134-135), the established *procedures* for resolving billing disputes (see OSS Declaration, at ¶130; KPMG Final Report, at pp. 372-382), and the numerical accuracy, not validity, of any billing charges (see OSS Declaration, at ¶131, KPMG Final Report, at pp.409-415). Further, Verizon's "Billing Accuracy" metric, BI-3-01, which calculates the percent of dollar charges that are adjusted due to Verizon billing error, does not consider outstanding amounts in dispute. Thus, there are no performance metrics associated with billing accuracy, which take into consideration the validity of the charges, or the timeliness of dispute resolution which, as discussed earlier, are both significant problems for Metro Teleconnect. As a result, Verizon overstates its compliance with Item 2 of the checklist and fails to disclose the difficulties that competitive carriers such as Metro Teleconnect experience in their attempts to resolve billing disputes.

Q. **How has Verizon failed to satisfy Item 14 of the Competitive Checklist?**

A. Item 14 of the Competitive Checklist requires that Verizon demonstrate that telecommunications services are available for resale at wholesale rates and on terms that are not discriminatory or unreasonable. As discussed earlier, Verizon provides DA services to resellers at rates greater than that which it assesses its own retail customers and on terms that are, as a result, discriminatory, unreasonable, and also anti-competitive.

Q. **Does Metro Teleconnect have a position whether the MPSC should support Verizon's 271 filing when it is made at the FCC?**

A. Based on Verizon's current conduct of discriminatory and anti-competitive practices against competitors in Maryland, the MPSC should only support Verizon's 271 filing if the MPSC conditions its supports on Verizon's agreement to the resolve the problems described herein by Metro Teleconnect.

Q. **Does this conclude your testimony?**

A. Yes.

EXHIBIT 2

Prefiled Testimony of John R. Liquefatto
MPSC Case No. 8926, *In the Matter of the Complaint of VDL, Inc. d/b/a Global Telecom Brokers v. Verizon Maryland Inc.*
(November 6, 2002)

STATE OF MARYLAND
PUBLIC SERVICE COMMISSION

In the Matter of the Complaint of VDL, Inc. d/b/a Global Telecom Brokers v. Verizon Maryland Inc.	))))))	Case No. 8926

PRE-FILED DIRECT TESTIMONY OF JOHN R. LIQUEFATTO
ON BEHALF OF VDL, INC. D/B/A GLOBAL TELECOM BROKERS

Q. **Please state your name and business address.**

A. My name is John R. Liquefatto. My business address is 500 Redland Court, Suite 309, Owings Mills, Maryland 21117.

Q. **By whom are you employed?**

A. I am employed by VDL, Inc. d/b/a Global Telecom Brokers ("GTB").

Q. **What is your position with GTB?**

A. I am the Vice President of Local Services for GTB. I originally began working for GTB in 1998 and focus on sales, order provisioning, technical support and customer service.

Q. **What is the purpose of your testimony?**

A. I am testifying in support of GTB's formal complaint (the "Complaint") against Verizon Maryland, Inc. ("Verizon") that was filed with the Commission on February 6, 2002. GTB filed its Complaint against Verizon because deficiencies in Verizon's Operations Support Systems ("OSS") have resulted in over $1.3 million in unresolved billing disputes with Verizon and have caused GTB to lose a significant percentage of its customers, including the loss of nearly 20 accounts since June 1, 2002 alone. These persistent problems that continue to the present day with Verizon breach Verizon's contractual obligations to GTB, violate state and federal law, and significantly impede GTB's ability to provide telecommunications services to its Maryland customers.

Q. **Please describe your current duties and responsibilities.**

A. My current duties and responsibilities include, but are not limited to, customer care, provisioning, and wiring and vendor issues. In overseeing our Customer Care Department, I am involved in escalations with Verizon on a range of customer issues, including billing. My responsibilities in overseeing our Provisioning Department include customer migrations and completions, as well as vendor meetings with Verizon and subcontractors. In the performance of my responsibilities I have frequent and substantive contact with various Verizon departments and managers, including those associated with Verizon's National Market Center, its Regional CLEC Maintenance Center ("RCMC"), its Regional Reseller Service Center, and its Wholesale Customer Care Center. I also serve as GTB's regulatory liaison.

Q. **Is GTB currently authorized to provide telecommunication services in Maryland?**

A. Yes. GTB is duly authorized to conduct business and holds a certificate of public convenience and necessity to provide facilities-based and resold local exchange and intrastate interexchange telecommunications services in Maryland.

Q. **Does GTB provide its services in any other states?**

A. Yes. In addition to Maryland, GTB is currently certificated to provide long distance telecommunications services in Pennsylvania. Its affiliate, Global Telecom Brokers of Virginia, Inc., is authorized to provide facilities-based and/or resold telecommunications services in Virginia. GTB is also authorized by the Federal Communications

Commission to provide global facilities-based and global resale telecommunications services.

Q. **Please describe the services that GTB provides in Maryland.**

A. GTB has been providing telecommunications services in Maryland since December of 1997. GTB provides local exchange and long-distance telecommunications services to approximately 12,000 business and residential lines throughout Maryland. In addition to providing basic local and long distance service, GTB provides its customers with high-speed digital subscriber line ("DSL") Internet access, voice mail, pagers, e-mail services, phone systems and other services.

Q. **Please describe the manner in which GTB provides services in Maryland.**

A. GTB provides its own billing and customer service, but relies on the facilities and services of Verizon in order to provide ubiquitous service throughout Maryland. GTB provides local telephone service by either leasing Verizon's combined unbundled network elements (commonly known as "UNE-P") or reselling Verizon's wholesale services. GTB and Verizon entered into a resale and interconnection agreement on June 14, 2000 (the "Interconnection Agreement"), which replaced a resale agreement between the parties dated August 29, 1997 (the "Resale Agreement"). Both agreements were reviewed and approved by the Commission pursuant to its regulatory authority.[1]

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[1] Letter from Felecia L. Greer, Executive Secretary, Maryland Public Service Commission, to Robert D. Lynd, Assistant General Counsel, Verizon Maryland, Inc. (June 19, 2001) (approving interconnection agreement filed Apr. 17, 2001 (TE-5306)); Letter from Daniel P. Gahagan, Executive Secretary, Maryland Public Service Commission, to David K. Hall, General Counsel, Bell Atlantic-Maryland, Inc. (Nov. 19, 1997) (approving interconnection agreement filed Oct. 29, 1997 (TE-2485)); see also Letter from Daniel P. Gahagan, Executive Secretary, Maryland Public Service Commission, to Glenn S. Richards, Esq., Fisher Wayland Cooper Leader & Zaragoza L.L.P. (Oct. 8, 1997) (authorizing GTB to resell local exchange and interexchange telecommunications services (TE-2197)).

Q. **What OSS performance requirements are established by these agreements?**

A. When Verizon willingly entered into these agreements and then filed the agreements with the Commission for its review and approval, Verizon agreed that it would adhere to certain contractual performance obligations. For example, the Resale Agreement specifically provides that Verizon's services will comply with all quality requirements imposed by applicable law. (Resale Agreement at 25, ¶ 33.) The Resale Agreement further requires that Verizon must provide services for resale that are equal in quality to, and subject to the same conditions as, those that Verizon provides to its own retail customers. (Id. at 25-26, ¶ 33.) Under the Interconnection Agreement, Verizon is required inter alia to provide interconnection that is of equal quality to that provided to itself (Interconnection Agreement at 32, ¶ 10.2), to offer nondiscriminatory access to Network Elements (Id. at 34, ¶ 11.0), and to respond to trouble reports on a nondiscriminatory basis (Id. at 44, ¶ 11.10).

Q. **Has GTB been satisfied with Verizon's provision of OSS under these agreements?**

A. No. Since 1997, Verizon has consistently provided an inferior quality and level of OSS, in breach of its Resale and Interconnection Agreements and in violation of various provisions of state and federal law. Although GTB has repeatedly reported the OSS deficiencies since 1998, Verizon has not resolved GTB's service complaints. In November 2000, after it became clear that GTB would be unable informally to resolve these matters on its own, GTB sent a letter to the Commission asking for the Commission's assistance in resolving the problems with Verizon's OSS. When the problems continued unabated, GTB subsequently filed this Complaint.

Q. **What types of OSS problems has GTB had with Verizon?**

A. GTB's OSS problems fall into three general categories: (1) ordering and provisioning of Verizon services; (2) Verizon's network management and maintenance; and (3) Verizon's billing, including its failure to adhere to its own dispute resolution procedures. I have attached two summary charts that I have used to track issues within these three broad categories involving a large sample of GTB clients from early 2000 until the present. Exhibit 1, GTB/Verizon Formal Complaint Issues, identifies 13 different types of deficiencies in the three broad categories that GTB end-user customers have experienced over time as a result of problems perpetuated by Verizon. Exhibit 1 summarily indicates the types of deficiencies experienced by each charted GTB customer. Exhibit 2, GTB/Verizon Issues Detailed, provides detailed comments on the deficiencies identified on Exhibit 1 and identifies the underlying Purchase Order Number ("PON") and Billing Telephone Number ("BTN") for each. Please note that written comments on both Exhibit 1 and Exhibit 2 identify customers that have left GTB since early 2000 as a result of problems with Verizon. In addition, I have highlighted on Exhibit 1 all those customers that have left GTB since June 1, 2002 as a direct result of ongoing issues with Verizon.

Q. **Please describe some of the ordering and provisioning problems that GTB has experienced with Verizon.**

A. GTB has submitted thousands of local service orders to Verizon since the date of the Resale Agreement, including many orders for former Verizon customers. The following summarizes some of the types of ordering and provisioning problems that GTB has experienced with Verizon.

First, Verizon's representatives consistently make errors entering orders for GTB customers. As a result, a large number of all migrated accounts and new orders fall into error.[2] These errors cause customers to receive the wrong telephone or call forwarding numbers. Verizon representatives routinely neglect to include Directory Assistance (411) and Directory Assistance listings when processing GTB customer service orders. Customers fail to receive features (e.g., call forwarding services and Caller ID) that have been ordered, including occasions when GTB customers are being converted from resale to UNE-P. Verizon's provision of voice mail service generates its own set of distinct problems.[3] As a result of other types of order-entry errors, Verizon improperly bills customers for Verizon services after the customers have begun obtaining services from GTB.

Second, GTB's customer service requests formerly had to be processed by Verizon's web-based Graphic User Interface ("GUI") system, which was different from and inferior to the systems that Verizon itself was using. For many accounts, the Verizon Customer Service Record ("CSR"), upon which GTB had to rely initially to process a new customer's request for services, was not available through the GUI. In contrast, the

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[2] Verizon admits in its Motion to Dismiss, Answer and Affirmative Defenses of Verizon Maryland Inc. (the "Answer") dated May 21, 2002 that there were 545 GTB orders in PCD status on February 12, 2001. (Answer at 18, ¶ 46.) See also, E-mail from Pamela A. Meadowcroft Re: CRIS Errors (Feb. 2, 2001) (accepting responsibility for the size of the list of then outstanding errors for GTB) (attached as Exhibit 3).

[3] Because Verizon refuses to sell voice mail service to GTB, even at retail prices, GTB must provide voice mail service from another platform. This requires Verizon to change the Call Forwarding Telephone Number ("CFTN") in the switch to the GTB voice mail platform and to reestablish the ring cycle. In more than a majority of cases in which a GTB customer has requested voice mail service as part of the local telecommunications services provided by GTB, Verizon either fails to execute the number change request, enters an incorrect CFTN, or enters the wrong ring cycle. Moreover, in many cases Verizon leaves its own voice mail service on the

majority of Verizon accounts were based in Express Trac, which made Verizon's retail accounts available to Verizon representatives. The GUI system frequently failed to process GTB's new customer service requests, thereby requiring GTB to resubmit the requests manually and causing new GTB customers to wait even longer for service. This practice placed GTB at a competitive disadvantage by imposing upon GTB additional costs and delays associated with tracking and resubmitting customer orders.

At the end of 2001, we agreed to move to Verizon's new Express Trac system in order to bring an end to the problems that we had been experiencing and the damages we had been suffering for years as a result of the GUI system. In February 2002, the first full month after the conversion to Express Trac, Verizon lost all of the call records for the converted customers. As a result, GTB's usage revenue for the month of February was down by 50 percent. There are currently 72 BTNs that are still in arrears from February through October 2002, which represents approximately $250,000 in retail usage revenue that cannot be billed. On the first Express Trac invoice, Verizon mistakenly included previously billed charges going back almost one year, an error of approximately $130,000. In March 2002, Verizon lost all UNE-P electronic loop information, thereby causing GTB to delay sending bills to its customers.

The Express Trac billing system has also created its own set of systemic billing errors, some of which replicate errors committed by Verizon under the GUI system. For example:

(1) accounts migrated to GTB are billed new line installation fees;

(2) accounts are billed incorrect loop rates;

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customer's account, even though the customer – because it is no longer a Verizon customer – is

(3) features are billed that should be free with UNE-P;

(4) features not requested by GTB are added to customer accounts, thus creating an overcharge;

(5) invoices include interest on disputed amounts;

(6) former GTB customers appear on the master account without orders being submitted;

(7) customer penalties are posted to GTB's account; and,

(8) resale and UNE-P accounts are posted on the wrong invoices.

Third, Verizon's CSRs are not properly maintained and don't carry pricing. To the extent that GTB's rates are based on a direct discount from the Verizon prices, GTB is unable properly to bill its customers without accurate and up-to-date CSRs. Inaccurate CSRs impose additional unnecessary costs on GTB in the form of lost revenues when the customer is not charged enough to cover the amount billed to GTB and in the form of lost business when a customer discovers that it has been charged too much. Inaccurate CSRs also impact the provision of digital subscriber line ("DSL") service. An outdated CSR prevents GTB from accurately provisioning an order that includes DSL service. Rather than query the order back to GTB under such circumstances, Verizon will simply take the line down, leaving the customer without DSL service or dial tone.

Fourth, there is little parity in the ordering process as between customers of GTB and Verizon. When GTB submits an order to Verizon for a simple line addition, GTB is told to inform its customer that the installation will take approximately five days. Even if

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unable to access the voice mail messages that callers continue to leave.

installation occurs within this interval (which it frequently does not),[4] this five-day window is twice as long as the two-to-three day installation that Verizon provides for its own retail customers. Further, Verizon consistently fails to provide GTB with timely and sufficient advance notice on occasions when facilities will be unavailable for a new installation. Verizon frequently delays informing GTB of unavailability until the due date for delivery of service, or the day before.[5] By then it is too late for GTB to develop contingency plans for providing temporary service to new customers. Whether by design or through negligence, Verizon also frequently fails to coordinate the disconnection of Verizon's retail services and GTB's provision of local service, leading to the premature disconnection of customers and their unexpected loss of dial-tone service. Inadvertent disconnection of GTB's customers months after having been migrated to GTB has also been an issue.

In Exhibits 1 and 2, I have provided further detailed examples of Verizon's deficiencies in ordering and provisioning.

Q. **Please describe the types of network management and maintenance problems that GTB has experienced with Verizon.**

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[4] For example, in Case No. 1544, we submitted an order in early June 2002 because we knew that the customer was moving on July 1, 2002. We eventually received an installation confirmation from Verizon for July 5, 2002. After several calls to Verizon, we were ultimately successful in having service installed on July 3, 2002. The customer was, therefore, without service for over 2 days. In Case No. 2730, in a process that started on May 15, 2002, a customer was supposedly migrated to GTB only to discover that one of his lines was not PIC'd to GTB. This issue was not finally resolved until July 3, 2002. As these examples prove, GTB is not "simply rehashing isolated examples of operations problems that Verizon MD has long since addressed and resolved." (Answer at 2.)

[5] For example, in PON No. 1945MOVE, Order No. C6736875, the "MOVE" was ordered and was scheduled for January 31, 2001. GTB was not notified until January 30, 2001 that facilities would not be available.

A. The following testimony summarizes the network management and maintenance problems described in the Complaint that GTB has experienced with Verizon, some of which have caused GTB customers to be without service for days.

One set of problems pertains to the installation process. On occasions when a new order requires that Verizon dispatch a technician to install a new line, Verizon has installed the new lines in the wrong location. It routinely fails properly to tag new lines, making them impossible to identify in a phone closet that sometimes contains hundreds of other lines. Despite repeated requests from GTB, Verizon technicians regularly fail to notify GTB or the end-user customer that the new line has been installed.[6] On other occasions, when Verizon does notify GTB that a new line has been installed and tagged, GTB will schedule a subcontractor to perform inside wiring only to find out from the subcontractor that Verizon has not in fact installed or tagged the line. Under such circumstances, GTB must call the RCMC to have the Verizon technician return to the site and then must incur the additional cost of rescheduling the subcontractor. The customer, of course, experiences additional delays in service.

Another set of problems involves carrier selection. Whenever an account is migrated to GTB, GTB requests a "preferred carrier freeze" to protect the line from being "slammed," or transferred to another local or long distance carrier without authorization. Nevertheless, GTB customer lines have been routinely slammed because Verizon fails to place a preferred carrier freeze on the account. Several GTB customers have even been slammed by Verizon's own Win-Back group. When GTB requested that Verizon return a

[6] Verizon previously admitted that it instructs <u>all</u> technicians to mark and tag <u>all</u> lines that are installed new, a policy that it "continuously reinforces" with its field forces. (Ex. 4 at 1.)

customer to GTB after an unauthorized switch, Verizon insisted that GTB submit a new customer order and subject our customer once again to all the delays associated with order processing at Verizon.[7] On the other hand, when orders are processed by Verizon that do in fact reflect a customer request for a new long distance carrier, Verizon frequently fails physically to change the preferred carrier at the switch. GTB is then forced to compensate the customer for the difference between the rate charged by the old carrier and the rate quoted by GTB. Moreover, when GTB requests on behalf of a new potential customer that Verizon remove a local freeze so that a customer may be migrated to GTB, Verizon sometimes takes months to remove the freeze.

A third set of problems involves inappropriate customer contacts. When a GTB customer mistakenly calls Verizon with complaints about service or billing, Verizon is required by section 18.2 of the Interconnection Agreement to refer the customer to GTB. Rather than do so, however, Verizon representatives often mislead the customer as to the cause of the problem, disclose proprietary GTB information, and attempt to convince the GTB customer to switch back to Verizon. For example, GTB customers have told our sales representatives and our "Customer Care Group" on several recent occasions, including twice yesterday, that Verizon personnel have represented to them that they are going to lose their directory assistance and directory listings. This is neither accurate, unless Verizon intends to make a deliberate error, nor something about which Verizon representatives should be advising GTB customers. Verizon representatives have also

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Verizon itself suggested that it have its technicians notify GTB when a request was completed and a line properly installed and tagged. Id.

[7] See, e.g., E-mail from Julius M. Bradley, Verizon, to Darlene S., GTB (Feb. 26, 2001) (requiring an order to move Hardcastles back to GTB); E-mail from Julius M. Bradley, Verizon,

inaccurately told potential GTB customers that they will have to pay for all of their directory advertising charges in a single upfront payment, which dissuades customers from switching to or remaining with GTB.

Fourth, Verizon has failed to assign a service manager to GTB. As a result, GTB has no specific contact person at Verizon to assist in resolving immediate or persistent service or network problems. If a GTB customer experiences a service interruption on a weekend, GTB is often required to wait until Monday for contact from a Verizon service representative. Because of inordinate delays exacerbated by the lack of a dedicated service manager with whom GTB can make supervisor-to-supervisor contact, GTB's customers sometimes wait days for restoration of service or to have wrong call-forwarding numbers corrected. For example, on several recent occasions, including within the past week, my staff managers have encountered significant difficulty resolving CSR and OSS problems using the Verizon prescribed Customer Inquiry Response Team ("CIRT"). My managers informed me that they called the CIRT several times and eventually terminated the calls after waiting on hold for an hour each time without someone answering the call. I then called the CIRT myself and waited on hold for an hour before hanging up. I tried again later the same day and waited for 45 minutes before hanging up. I tried one last time and was once again on hold for 40 minutes before I gave up.

In Exhibits 1 and 2, I have provided further detailed examples of Verizon's deficiencies in network management and maintenance.

Q. **Please describe the types of Verizon billing problems that GTB has experienced.**

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to Darlene S., GTB (Jan. 31, 2001) (requiring an order to move Chrysalis House Inc. back to

A. The following summarizes the billing problems described in the Complaint that GTB has experienced with Verizon.

First, Verizon continues to burden GTB with voluminous paper bills, although it has recently begun to address this issue in response to GTB's repeated requests. These paper bills must be processed manually by GTB in order for GTB to bill its end-user customers, thereby requiring GTB to devote substantial resources to this project. Verizon, on the other hand, relies upon fully-automated billing systems to bill its retail customers.

Second, Verizon continues to bill former Verizon customers who have selected GTB as their local carrier. In addition to sending GTB the bill for the new customer's services, Verizon also routinely continues to bill its prior customers directly. This systemic double billing occurs partially as a result of the number of accounts that fall into error for the reasons that I described earlier in my testimony. Faced with aggressive collection techniques, a significant percentage of affected customers switch back to Verizon to avoid further confusion, harassment and potential damage to their business credit. Many such customers refuse to pay their GTB bills because they assume that they were never with GTB if they continued to receive bills from Verizon. Moreover, GTB is not notified when such customers migrate back to Verizon, yet Verizon routinely continues to bill GTB for both line and usage charges after the switch. Despite Verizon's promises of a daily Line Loss Report that would allow GTB to monitor and minimize this problem, daily reports were never available until approximately a year ago. Though reports are now available, Verizon continues to overlap and not give accurate

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GTB) (attached as Exhibit 5).

information. Finally, GTB is placed in the position of obtaining credits from Verizon for those customers that elect to stay with GTB notwithstanding all of these billing problems.

Third, migrations to the Master Account are still taking an unreasonably long period of time. When GTB transmits an order to Verizon to migrate an account to GTB, Verizon should send a final bill to its former customer reflecting the cut-off date. The account should then be migrated to GTB's "Master Bill." Many orders submitted to Verizon, however, are not physically moved to GTB's account, often due once again to the order falling into error as described earlier. If an order falls into error, GTB will not receive the "Time Measured" or "Message Unit" charges until months later. When an order in error is eventually corrected and then posted to the Master Bill, Verizon includes a cumulative lump sum for line charges, usage charges and other miscellaneous expenses accumulated during the intervening months. The delay and failure to provide detailed billing increase GTB's costs because GTB can neither confirm these charges nor realistically expect the end-user customer to pay this lump sum expense. Moreover, if a customer leaves GTB before the customer's account migrates to GTB's Master Bill, GTB is unable to collect monies owed from the former customer. Finally, GTB experiences further loss of revenue because of missing call records and the resulting inability to bill end-user customers.

Fourth, Verizon erroneously overcharges GTB on a monthly basis. Verizon routinely lists charges that GTB has no responsibility to pay, such as universal service fund fees, long distance conversion fees, long distance calls, calling card calls, collect calls, federal and state taxes, surcharges, mailbox charges, maintenance plan charges, order fees and directory advertising. Fixed charges, nonrecurring charges, UNE-P line charges and usage charges are often erroneously posted to resale bills, and resale charges are erroneously posted to UNE-P bills. Charges associated with customers of other CLECs are frequently posted to GTB's account. Verizon routinely fails to apply wholesale discounts, bills toll calls on UNE-P, charges for features on UNE-P lines, charges the wrong rates for elements, bills for usage on ISDN unlimited packages and charges new line installation fees for migrations, all of which are improper. Because of errors committed by Verizon representatives, DSL orders are frequently processed as retail accounts, thereby eliminating the wholesale discount, resulting in over charges and generating usage that can't be billed to the GTB customer.

In Exhibits 1 and 2, I have provided additional examples of billing-related problems that GTB has experienced with Verizon.

As a result of all of these different types of recurrent and still occurring billing errors, GTB must, at its own expense, conduct monthly audits of its Verizon bills to locate Verizon's errors and to submit claims to Verizon in an attempt to receive credit. With thousands of accounts and thousands of lines, this is a monumental task that consumes considerable GTB resources. Moreover, once GTB has identified Verizon's billing errors for Verizon, GTB has no assurances that Verizon will either accurately or timely issue credits, because the credits are buried in the invoices. Verizon does not identify credits by category or date. In the meantime, Verizon charges GTB late fees and interest on the disputed charges that are created as a result of Verizon's own errors.

Q. **How much money is in dispute as a result of these billing issues?**

A. Despite repeated requests, Verizon has either been unable or unwilling to give GTB an accurate accounting of what is owed and what has been credited. GTB, however, estimates through its monthly review of the Verizon bills that at the present time there are over $1.3 million in outstanding billing errors caused by Verizon. GTB is also routinely denied the ability to collect revenue from customers as a result of Verizon's billing actions as I've testified previously. I have attached two summary charts that indicate the extent and ongoing nature of the disputed billing issues. Exhibit 6, Unposted Claims, lists $385,094.06 in disputed claims, of which Verizon had approved and agreed to pay $367,092.53. As of today, there is a total of approximately $421,000 in unposted claims that have not yet been credited to GTB's account. Exhibit 7, Unresolved Claims, lists an additional 170 open claims totaling $958,688.42 that are still in dispute and unresolved. One of these claims dates back to December of 2000 and many date back to early 2001. As of today, there are a total of 171 open claims totaling $929,135.

These charts exhibit that GTB's efforts successfully to resolve Verizon billing errors at least take months and often take years. The charts further indicate that Verizon's denial in its Answer that it is delinquent in issuing credits to GTB for billing errors and its representation that it "has resolved virtually all of the billing claims submitted by GTB to Verizon MD" are incorrect. (Answer at 16, ¶ 39.) The volume of disputed claims since the inception of GTB's relationship with Verizon clearly contradicts Verizon's assertion that "[i]n the past, there have been sporadic problems with Verizon MD's order processing and billing that have occasionally affected GTB's resale and UNE-P orders." (Id. at 1.) To the contrary, Verizon's billing errors are systemic, pervasive, persistent, discriminatory and extremely damaging to GTB's ability to provide telecommunications services to its Maryland customers.

Q. **Has Verizon been responsive to GTB's requests for billing adjustments?**

A. No. GTB's attempts to address these claims with Verizon through the process of "escalation" as outlined in its Agreements have largely been ignored. It has been our experience that Verizon has no incentives to bill GTB accurately or to resolve its billing disputes promptly. Both inaccuracy and delay work to Verizon's advantage by increasing GTB's costs of doing business. We must devote significant human resources to verify bills, report and monitor disputes, and follow-up to make sure that the resolution of the dispute is implemented. In fact, as a result of Verizon's anticompetitive billing-related conduct, GTB has been forced to hire additional employees to handle this problem at an annual cost of approximately $120,000.

Q. **How do these unresolved billing disputes affect GTB?**

A. Verizon's delay in resolving these billing errors and disputed bills weakens GTB's financial strength. The Company must keep reserves to cover potential payments if the disputes are not resolved in its favor. In addition, the billing practices have secondary effects as the high allegedly "past-due" amounts reflected on the bills have negatively influenced the financial institutions upon which GTB must rely for its operational needs.

Q. **Has Verizon been responsive to GTB's requests to address and resolve any of the other OSS problems you've described?**

A. No. GTB's attempts to address these issues with Verizon have largely been ignored. As early as 1998, I believe, GTB sent to Verizon an initial letter captioned "GTB/Verizon Issues Introduction" that discussed many of the problems discussed in my testimony and sought to work with Verizon to eliminate them. That letter did not generate any change in Verizon's practices. In September 2000, I notified Verizon of the mounting and continuing problems with Verizon's service and network, which failed to comply in material respects with Verizon's obligations under the Resale and Interconnection Agreements. Our Verizon Account Manager represented that Verizon would investigate GTB's complaints and respond. GTB's President sent a similar letter in October 2000. It was not until after we filed an informal complaint with the Commission in November 2000 that we finally received a written reply from our Verizon Account Manager. The letter, dated January 4, 2000, admitted and apologized for several of Verizon's failings but stopped short of proposing substantive solutions. (Ex. 4.) Despite repeated efforts to negotiate and informally to resolve these problems, including a spate of recent teleconferences and meetings conveniently commenced to coincide with Verizon's attempt to obtain authorization under 47 U.S.C. § 271(c) to offer long distance services in Maryland, Verizon has refused substantively to address most of these outstanding issues.

Q. **In addition to the financial matters discussed earlier in your testimony, how have Verizon's OSS deficiencies affected GTB?**

A. As a result of Verizon's deficiencies in provisioning, servicing and billing discussed earlier, we believe that GTB has lost approximately 20-25% of its customer base back to Verizon. (See, e.g., Exs. 1, 2.) In addition to this direct impact on GTB, Verizon's anticompetitive conduct has delayed and discouraged the growth of competition in the Maryland market for local telecommunications services, thereby preventing the growth of small competitors like GTB. Verizon's continuing unwillingness effectively and efficiently to serve the CLEC market will continue to delay the growth of competition. It will lead some small competitors to go out of business and will frustrate consumers who are receptive to and looking for competitive alternatives to Verizon's local service.

Q. **Does this conclude your testimony?**

A. Yes.

EXHIBIT 3

Verizon Maryland's Resale Directory Assistance Service Tariff
MD PSC No. 201, Section 7A

RESALE DIRECTORY ASSISTANCE SERVICE

A. GENERAL

The Telephone Company furnishes Directory Assistance Service whereby a customer may request assistance in determining telephone numbers.

B. REGULATIONS

1. Effective when facilities are generally available, the rates set forth following apply when a customer requests listed telephone numbers in the same local exchange area or within the same NPA or corresponding overlay NPAs.

2. For calls placed through a Telephone Company operator, the Operator-assisted Local Call charge specified in Section 7B of this Tariff applies in addition to the charge for Directory Assistance Service Calls specified in C. following. The Operator-assisted Local Call charge will not apply in the following cases:

   a. to reach Directory Assistance Service through a Telephone Company operator when attempts by the caller to direct dial such a call cannot be completed;

   b. to only record the originating telephone number where no automatic recording equipment is available.

3. The customer may request a maximum of two telephone numbers per call to Directory Assistance Service.

4. There is no call allowance with resold Directory Assistance Service.

5. A reseller has the option of providing branded or unbranded Directory Assistance Service to its customers at an additional cost.

C. RATES

Residence Directory Assistance Service Calls, per call . . . . $.25

Business Directory Assistance Service Calls, per call. . . . . $.3205

EXHIBIT 4

Letter of Felecia L. Greer, Maryland Public Service Commission (May 3, 2001) and Response of David Hill, Verizon (June 8, 2001)

STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

ML#s 76299 and 76910

May 3, 2001

David A. Hill, Esquire
Vice President and General Counsel
Verizon Maryland Inc.
One East Pratt Street, 8E
Baltimore, Maryland 21202

Re: ***Metro Teleconnect Companies, Inc.'s Petition for Reexamination of Directory Assistance Call Allowances for Resellers***

Dear Mr. Hill:

On February 5, 2001, Metro Teleconnect Companies, Inc. ("Metro") filed a Petition for Reexamination with the Commission. On March 26, 2001, Metro filed additional comments. In its Petition, Metro requested the Commission to reexamine its 1997 decision whereby the Commission declined to require Verizon Maryland Inc. ("Verizon") to provide resellers with six free directory assistance calls. Metro indicated that Verizon's pricing structure is: (1) in violation of the resale provisions of Telecommunications Act of 1996 ("the Act"); (2) in violation of the nondiscrimination provisions of the Act; (3) is not a subsidy to competitors; and that (4) Verizon currently provides free directory assistance calls to Metro in five other states. A copy of the Petition is attached.

The Commission hereby directs Verizon to respond to Metro's Petition within 10 days. Verizon is further directed to provide Staff with any background information on the 1997 Commission letter that it possesses. verify that it does offer free directory assistance calls to resellers in the five states identified by Metro and the rationale for providing those free calls. In addition, Verizon is directed to provide any other information or analysis that Verizon may have regarding the provision of this service to wholesale customers. Finally, Verizon is directed to provide its analysis of Paragraph 954 of FCC's Local Competition Order of August 8, 1996.

Accordingly, Verizon shall file its response with the Commission by Monday, May 14, 2001.

By Direction of the Commission,

Felecia L. Greer

Felecia L. Greer
Executive Secretary

FLG/rmw
Attachment
cc: Glenn S. Richards, Esquire
Geoffrey Waldau, Director, Telecommunications Division

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June 8, 2001

Hand Delivered

Felecia L. Greer
Executive Secretary
Public Service Commission of Maryland
William Donald Schaefer Tower
6 St. Paul Street, 16th Floor
Baltimore, Maryland 21202-6806

Re: Metro Teleconnect Companies' Petition for Reexamination

Dear Ms. Greer:

Per our telephone conversation last week, attached please find the additional information on the Directory Assistance rates and applicable call allowances in Delaware, the District of Columbia, Pennsylvania, New Jersey and California.

In addition, I am advised that Verizon does not have any additional analysis concerning the provision of this service to wholesale customers.

As to Verizon's analysis of Paragraph 954 of the FCC's Local Competition Order, without a better understanding of the issue the Commission seeks comment on, Verizon has nothing additional to add to its filing in this matter.

If you have any questions, please feel free to call me.

Very truly yours,

DAH/mlw

Attachment

cc: Glenn S. Richards, Esquire
Geoffrey Waldau

DA Rates and Call Allowances

	Residence		Business	
	Rate ($)	Call Allowance	Rate ($)	Call Allowance
DE	.35	1	.35	0
DC	.36	5	.36	0
PA	.50	2	.57	0
NJ	.20	4	.75	0
CA	.31	5	.31	2

EXHIBIT 5

Verizon Maryland's Retail Directory Assistance Service Tariff
MD PSC No. 203, Section 9

DIRECTORY ASSISTANCE SERVICE

A. GENERAL

The Telephone Company furnishes Directory Assistance Service whereby customers may request assistance in determining telephone numbers.

B. REGULATIONS

1. Effective when facilities are generally available, the rates set forth following apply when customers request Telephone Company assistance in determining telephone numbers of customers who are located in the same local exchange area or who are not located in the same local exchange area but who are located within the same NPA.

2. A residential customer is allowed six Directory Assistance Service calls per dial tone line, Centrex Dormitory Service main station, or special identification number for students of colleges and universities.

   For residential services where National 411 (N411) Service is offered, the call allowance, specified preceding, is applicable to any combination of Directory Assistance and N411 listing requests within the state of Maryland.

3. For calls placed through a Telephone Company operator, The Operator Assisted Local Call charge specified in Section 20 of this tariff applies in addition to the charge for Directory Assistance Service Calls specified in C. following. When the services of a Telephone Company operator are used, the Operator Assisted Local Call charge will not apply in the following cases:

   a. To reach the called Directory Assistance Service number when attempts by the customer to direct dial such a call cannot be completed.

   b. To only record the originating telephone number where no automatic recording equipment is available.

   c. To only record the special identification number of a student for a call placed from a Centrex Dormitory Service station line.

4. Call allowances are not transferable between separate accounts of the same customer.

DIRECTORY ASSISTANCE SERVICE

B. REGULATIONS (Cont'd)

5. Charges for Directory Assistance Service are not applicable to calls to the Directory Assistance Service attendant placed from hospital services; or to calls to the Directory Assistance Service attendant from telephones where the customer, and in the case of residence service where the customer or a member of the customer's household, has been affirmed in writing as unable to use a Telephone Company provided directory because of a visual, physical or reading handicap including calls made by such handicapped persons from their place of employment.

6. The customer may request a maximum of two telephone numbers per call to Directory Assistance Service.

C. RATES

1. Residence Directory Assistance Service Calls, per call .... $.25

$.40

CERTIFICATE OF SERVICE

I, Susan Hafeli, certify that on this, the 9th day of January 2003, a copy of the foregoing **Comments of National ALEC Association/Prepaid Communications Association** was served by first class mail, postage prepaid, to the following:

Don Laub, Director
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6 St. Paul Street, 19th Floor
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West Virginia Public Service Commission
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Sanford M. Speight, Acting Secretary
Public Service Commission of the District of Columbia
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Jackson Nichols
U.S. Department of Justice
Antitrust Division
Telecommunications and Media Enforcement
1401 H Street, N.W.
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and via email to the following:

gremondi@fcc.gov
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jmyles@fcc.gov
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Susan Hafeli

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